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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2003(8)

SPECIAL NOTICE

**Payroll Expense Exclusion for Managing a Service Recipient's Property
or Business Premises Unaffected by 2002 Conn. Pub. Acts 103**

Purpose: This Special Notice clarifies a drafting error made in recodifying Conn. Gen. Stat. §12-407(a)(8)(B)(vii) and (9)(B)(vii). The recodification was not intended to make any substantive change to those provisions, and will not affect their interpretation and application for sales and use tax purposes by the Department of Revenue Services (DRS).

Effective Date: January 1, 2003, and applicable to sales occurring on or after that date.

Statutory Authority:

Conn. Gen. Stat. §12-407(a)(8)(B)(vii) and (9)(B)(vii), as amended by 2002 Conn. Pub. Acts 103, §1.

Exclusion From Gross Receipts and Sales Price Remains the Same: The payroll expense exclusion for managing a service recipient's property or business premises as described in subparagraph (I) or (J) of subdivision (37) of Conn. Gen. Stat. §12-407(a) has been and continues to be excluded from sales price, as defined in Conn. Gen. Stat. §12-407(a)(8), and gross receipts, as defined in Conn. Gen. Stat. §12-407(a)(9). The payroll expense exclusion is for the amount charged for separately stated compensation, fringe benefits, workers' compensation, and payroll taxes or assessments paid to or on behalf of employees of a retailer who has contracted to manage a service recipient's property or business premises and renders management services, provided the employees perform the services solely for the service recipient at its property or business premises.

2002 Conn. Pub. Acts 103 was legislation proposed by the Office of Legislative Commissioners. The legislation was intended to renumber and reorganize sections of the Sales and Use Taxes Act, and not to make any substantive change in the law. The failure to include a reference in Conn. Gen. Stat. §12-407(a)(8)(B)(vii) and (9)(B)(vii) to subparagraph (J) of subdivision (37) of Conn. Gen. Stat. §12-407(a) was a drafting error, and will not affect the interpretation and application of those provisions by DRS. A bill to correct the drafting error has been introduced by DRS, but even if the General Assembly fails to pass the bill, the interpretation and application of Conn. Gen. Stat. §12-407(a)(8)(B)(vii) and (9)(B)(vii) by DRS will remain the same.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information: Please call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet.

Visit the DRS Web site at: **www.drs.state.ct.us** and click on *File Returns On-Line*.

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Sales and Use Taxes
Payroll Expenses Exclusion
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